



# **Revised** **Pricing Summary** **March 20, 2002**

Note: New elements of the proposal changed since  
March 5, 2002 are underlined. Only the  
description of the proposal is provided.



## ***Design Objectives***

- ***Avoid Price Increases and Cost Shifts***
- ***Eliminate Transmission Rate Pancaking***
- ***Honor Existing Contracts***
- ***All Users Pay Some Fixed Costs***
  - *Most of the fixed costs paid by load based access fees*
  - *External Interface Access Fees and congestion surplus contribute to fixed costs and replace short-term and nonfirm revenues eliminated with de-pancaking*
  - *Note: Previously proposed TRF has been eliminated along with associated Reservation Rights (HRRs & URRs)*
- ***Minimize Use of Volumetric Rates***
  - *Elimination of External Interface Access Fee depends upon a reciprocity agreement that includes transfer charges between RTOs*
- ***Challenge: Find a Balance Between Competing Objectives***



# ***Transmission Services Offered***

- ***Transmission Use Service***
  - *For new or incremental service and for service under converted agreements & obligations*
- ***Non-Converted Transmission Service***
  - *Taken only by PTOs to meet their responsibilities under Pre-Existing Transmission Agreements and Obligations*
- ***RTO West Tariff applies to both services:***
  - *Grid Management Charge (GMC)*
  - *Losses and congestion cost*
  - *Ancillary Service requirements*



## ***Company Rates and Transfer Charges***

- ***Transfer Charges***
  - *Applies to Point-to-Point type agreements*
  - *Based on agreement's price provisions*
  - *May increase during Company Rate Period if PTO opts for adjustments option at start-up*
- ***Company Rate***
  - *Applies to Network type agreements*
  - *Based on PTO's embedded cost*

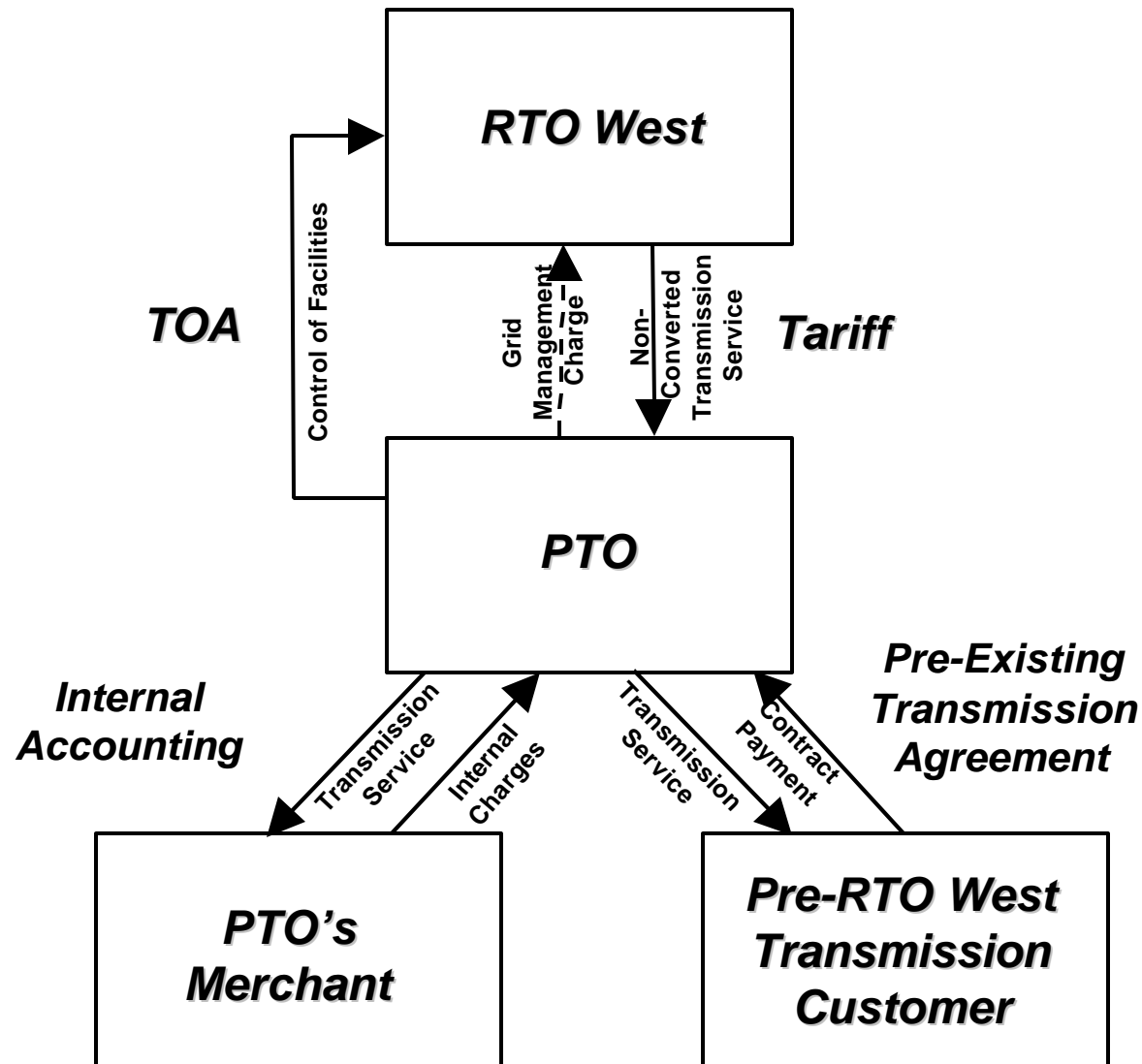


## ***Contractual Service Relationships***

- ***A pre-existing customer who chooses not to convert its contract remains a customer of the PTO provider***
  - *PTO is the de-facto Scheduling Coordinator for all service under the Pre-Existing Transmission Agreement*
  - *PTO's Customer has no relationship with RTO West*
- ***A pre-existing customer who chooses to convert an agreement becomes an RTO West Transmission Customer***
  - *Converting customer either becomes a Scheduling Coordinator or designates one*

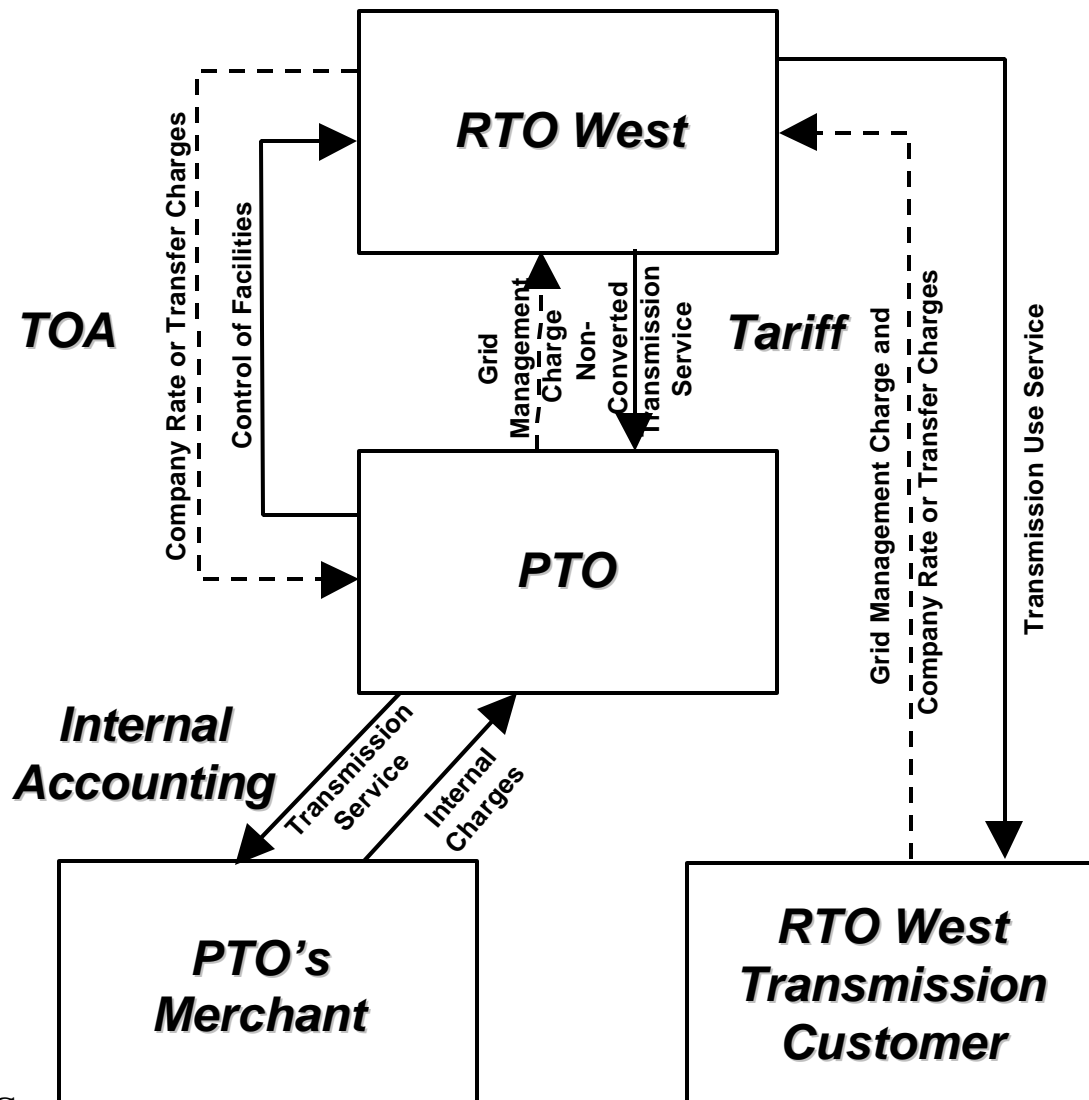


# *Serving a Pre-Existing Transmission Agreement*





# *Contract Conversion to Transmission Use Service*



## Notes:

- 1) Payments to and from RTO West that pass through the Paying Agent are represented by dotted lines ( ← - - ).
- 2) The PTO's Merchant may also choose to convert to Transmission Use Service



# ***Transmission Use Service***

- **Scheduling Rights**

- Load based access charge (Company Rate or Transfer Charge)
- Customer can schedule:
  - Injection from any point on RTO West System
  - Withdrawal at any point within RTO West system including internal interconnections (i.e., the "islands" in the RTO West "ocean")
- External Interface Access
  - Required to schedule to a withdrawal at External Interface Point
  - Option 1 – Purchased from RTO West, paying External Interface Access Fee
  - Option 2 – Convert pre-existing export contract, paying Transfer Charge

- **Congestion Hedges**

- *FTOs purchased in RTO West Auction or in secondary market*
- *FTOs converted from CTRs (24 dispatches)*
- *CTRs if worked out with PTO:*
  - *CTRs catalogued by PTO accepted*
  - *Agreement to release PTO from obligations*





## **External Interface** **Access Fee**

- **Based on System Average Rate (“Postage Stamp”)**
  - Monthly, Weekly, Daily and Hourly strip prices calculated from Annual Rate as in pro forma tariff
  - Charge if schedule does not include External Interface Access
- **RTO West can discount down to level which maximizes Replacement Revenue Pool, following OATT policy**
  - Apply to all uses at given point and time
  - Discount at one interconnection or time does not require discounts at another interconnection or time
- **External Interface Access can be resold**
  - If purchased at full price, portable between External Interface Points
  - If purchased at discount, use is limited to the External Interface Point and specific time period to which the discount was applicable



# *Non-Converted Transmission Service*

- **Scheduling Rights**

- *PTO makes no explicit payment but contributes its assets to RTO West*
- *PTO can schedule, based on Pre-Existing Transmission Agreements and Obligations, to points of injection and points of withdrawal on the RTO West System*
- *External Interface Access*
  - *Obtained from Pre-Existing Transmission Agreements and Obligations*
  - *Limited to locations in Pre-Existing Transmission Agreements and Obligations*

- **Congestion Hedges**

- *CTRs based on Pre-Existing Transmission Agreements and Obligations*



## **Replacement Revenue Pool**

- **A replacement for short-term and nonfirm revenues and expiring long-term contract revenue**
  - Revenues from External Interface Access Fees
  - Net surplus from Congestion Management
    - FTO Auction Revenues
    - Congestion clearing over/under collection
- **Revenue Recovery Target**
  - Average of short-term and nonfirm calendar year revenues from 1999 until the last full the calendar year prior to RTO West's filing for prices at service commencement
  - Plus revenues from long-term contracts expiring during the Company Rate Period that were in effect the last year of the reference period
- **Replacement Revenue Pool will be allocated to PTOs in proportion to reference period shares**
  - Annual under and over collection born by the PTOs unless the Backstop Recovery Mechanism is triggered
- **A sustained under or over collection of the Revenue Recovery Target will trigger a Backstop Recovery Mechanism**



## **Backstop Recovery** **Mechanism Triggers**

- ***Under recovery trigger:***
  - *Sum of Annual Recovery Differentials is negative and*
  - *Sum exceeds the difference between the lowest annual revenue in the reference period and the Revenue Recovery Target*
- ***Over recovery trigger:***
  - *Sum of Annual Recovery Differential is positive and*
  - *Sum exceeds the difference between the highest annual revenue in the reference period and the Revenue Recovery Target*

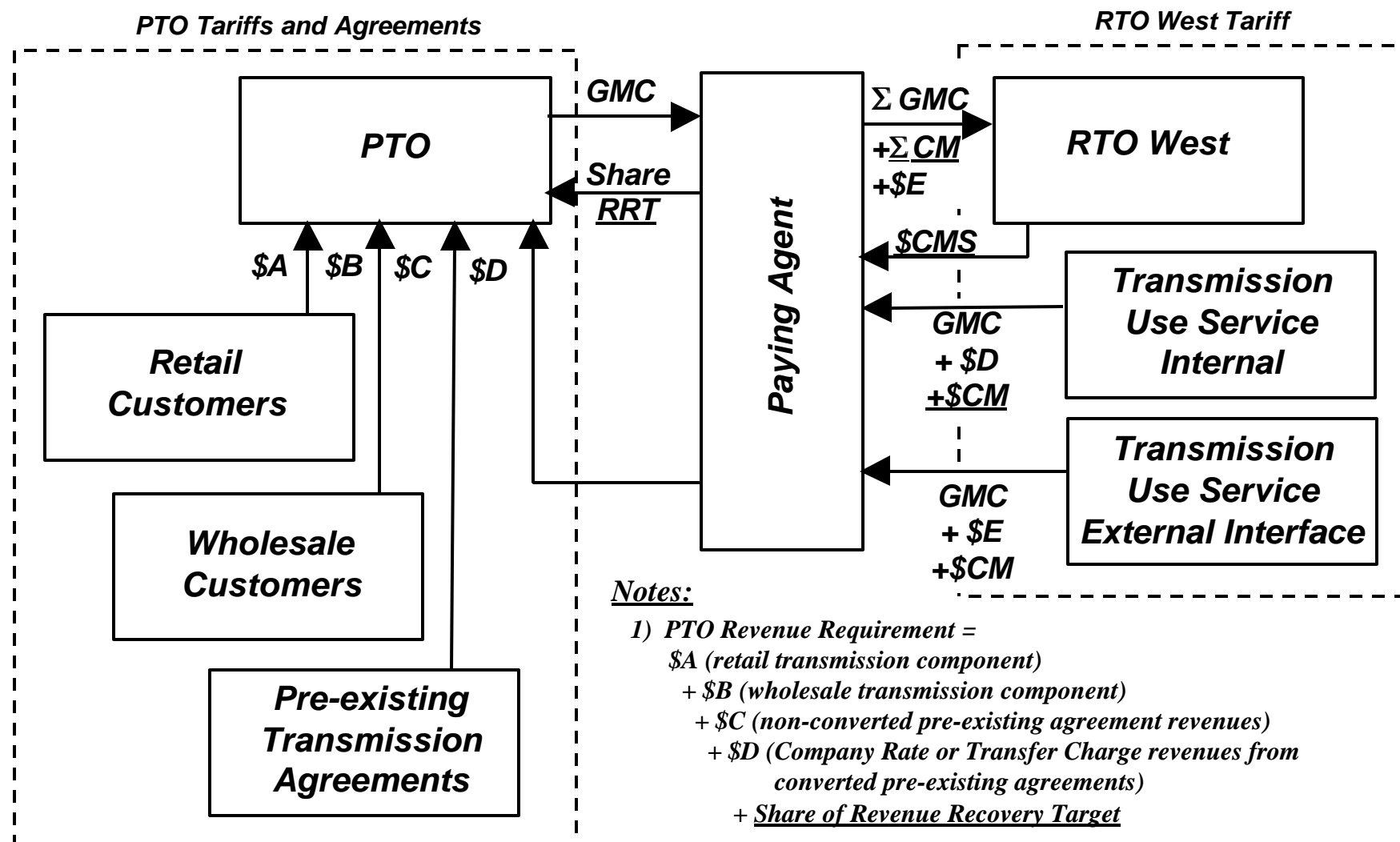


## **Backstop Recovery Mechanism**

- **If backstop is triggered by sustained under recovery:**
  - RTO West will propose charges to correct cumulative shortfall and collect Revenue Recovery Target on a going forward basis
  - RTO West may consider causal relationships and target pro rata share, for instance if load growth under CTRs is reducing available system capacity and FTO sales.
  - Where lack of causal relationships exists RTO West may decide to charge for a right to schedule to market participants not making an equitable contribution to fixed costs
- **If backstop is triggered by sustained over recovery:**
  - RTO West will propose changes reducing charges to correct the cumulative positive balance, such as lowering the GMC, External Interface Access Fee, etc. and collect the Revenue Recovery Target on a going forward basis.



# Revenue Requirement Collection



## Notes:

- 1) **PTO Revenue Requirement =**  
 $\$A$  (retail transmission component)  
 $+ \$B$  (wholesale transmission component)  
 $+ \$C$  (non-converted pre-existing agreement revenues)  
 $+ \$D$  (Company Rate or Transfer Charge revenues from converted pre-existing agreements)  
 $+ \text{Share of Revenue Recovery Target}$

2)  **$\$CM$  = Congestion Management Charges (Uncovered and FTO purchases)**

3)  **$RRT$  (Revenue Recovery Target) = Allocator \* [ $\$E$  +  $\$CMS$ ], where**  
 **$\$E$  = External Interface Fees and  $\$CM$  = Congestion Management Surplus**



## ***Company Rate Formula***

$$\begin{aligned} \text{Company Rate} = & \left\{ \begin{aligned} & [ \text{(Company Costs)} \\ & \pm \text{(Net Transfer Charge Payments)} \\ & - \text{(Revenue from Non-converted Agreement)} \\ & + \text{(Cost of Non-converted Agreement)} ] \\ & \hline & \text{Company Load} \\ & \text{Billing Determinants} \end{aligned} \right\} \\ & + \left\{ \begin{aligned} & [ \pm \text{(New Facility Cost Sharing Payments)} \\ & - \text{(Revenue Recovery Target Allocation)} \\ & + \text{(Company TOA Costs)} ] \\ & \hline & \text{PTO Interconnected Load} \\ & \text{Billing Determinants} \end{aligned} \right\} \end{aligned}$$



## ***Direct Retail Access Implications\****

- *Like all other potential RTO West Customers, direct access customers may maintain pre-existing arrangements*
- *Direct access customers may also voluntarily convert to RTO West Service*
  - *Pay company rate fee for access to network*
  - *May use resources from any point on RTO West system.*
  - *Must become or designate a Scheduling Coordinator*
  - *Other Tariff provisions apply: congestion, losses, and ancillary service*

*\* Note: The provision of service for direct retail access is dependent upon state law or voluntary agreement by PTO consistent with state law.*